Consolidated Financial Statements of

CANHAUL INTERNATIONAL CORP.

Year ended June 30, 2015

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Canhaul International Corp.

We have audited the accompanying consolidated financial statements of Canhaul International Corp. which comprise the consolidated balance sheet as at June 30, 2015, the consolidated statements of operations, deficit and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Canhaul International Corp. as at June 30, 2015, and its consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which indicates that there may be uncertainty about the Company's ability to continue to generate sufficient cash flow from operations to fund its debt obligations as they become due. This condition indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Chartered Accountants

September 23, 2015
Calgary, Canada

CANHAUL INTERNATIONAL CORP.

Consolidated Balance Sheet

June 30, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Cash	$ 202,174	$ 19,725
Accounts receivable	577,274	898,373
Inventory (note 3)	167,316	162,008
Government sales tax receivable	9,378	–
Prepaid expenses	236,485	120,184
	1,192,627	1,200,290
Property and equipment (note 4)	105,565	35,581
Intangible assets (note 5)	–	130,091
	$ 1,298,192	$ 1,365,962
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities	$ 945,869	$ 894,739
Deferred revenue	11,185	38,132
Government sales tax payable	–	16,378
Current portion of due to shareholders (note 6)	50,000	603,638
Current portion of long-term debt (note 7)	96,693	322,366
Current portion of lease (note 14)	22,156	–
	1,125,903	1,875,253
Due to shareholders (note 6)	400,959	–
Long-term portion of lease (note 14)	51,029	–
Long-term debt (note 7)	1,587,964	223,624
Equity to be issued (note 8)	305,829	1,001
Shareholders' deficiency:		
Share capital (note 9)	11,439,840	9,277,050
Warrants (note 9)	166,656	–
Deficit	(14,104,990)	(10,010,966)
Contributed surplus (note 9)	325,002	–
	(2,173,492)	(733,916)
Future operations (note 1)		
Commitments (note 11)		
Subsequent events (notes 9 and 15)		
	$ 1,298,192	$ 1,365,962

See accompanying notes to consolidated financial statements.

Approved by the Board:

Director

CANHAUL INTERNATIONAL CORP.

Consolidated Statement of Operations

Year ended June 30, 2015, with comparative information for 2014

	2015	2014
Revenue:		
Hardware sales	$ 2,692,310	$ 1,773,175
Airtime sales	3,441,492	3,005,665
Software development	7,120	86,536
Consulting and other revenue	26,680	16,512
	6,167,602	4,881,888
Cost of sales:		
Hardware purchases (note 3)	1,537,050	1,162,217
Airtime purchases	1,063,958	1,071,440
Freight in and duty	42,019	38,557
	2,643,027	2,272,214
Gross margin	3,524,575	2,609,674
Expenses:		
General and administrative	1,442,340	1,064,268
Wages and benefits	2,562,325	1,168,806
Sub-contracts	126,382	127,166
Research and development	1,376,926	594,956
	5,507,973	2,955,196
Loss before undernoted items	(1,983,398)	(345,522)
Stock-based compensation expense	1,603,749	287,999
Amortization:		
Amortization of intangible asset	130,091	130,091
Amortization on property and equipment	22,552	7,022
	152,643	137,113
Interest expense:		
Interest on long term debt	347,766	267,029
Interest and bank charges	6,468	7,925
	354,234	274,954
Net loss	$ (4,094,024)	$ (1,045,588)

See accompanying notes to consolidated financial statements.

CANHAUL INTERNATIONAL CORP.

Consolidated Statement of Deficit

Year ended June 30, 2015, with comparative information for 2014

	2015	2014
Deficit, beginning of year	$(10,010,966)	$ (8,965,378)
Net loss	(4,094,024)	(1,045,588)
Deficit, end of year	$(14,104,990)	$ (10,010,966)

See accompanying notes to consolidated financial statements.

CANHAUL INTERNATIONAL CORP.

Consolidated Statement of Cash Flows

Year ended June 30, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Net loss	$ (4,094,024)	$ (1,045,588)
Items not involving cash:		
Amortization	152,643	137,113
Stock-based compensation expense	1,603,749	287,999
Unrealized foreign exchange gain	(12,335)	–
	(2,349,967)	(620,476)
Change in non-cash operating working capital:		
Accounts receivable	321,099	(64,236)
Inventory	(5,308)	58,320
Government sale taxes receivable	(25,756)	75,085
Prepaid expenses	(116,301)	(29,130)
Accounts payable and accrued liabilities	51,036	221,674
Deferred revenue	(26,947)	26,147
	(2,152,144)	(332,616)
Financing:		
Proceeds from shareholders loans	222,321	150,000
Repayments on shareholders loans	(120,000)	(35,671)
Common shares issued for cash	506,997	290,279
Proceeds from related party loan facility	75,000	545,990
Repayments on related party loan facility	(146,333)	–
Proceeds from long-term debt	1,500,000	–
Repayments on short-term debt	–	(648,877)
Equity to be issued	304,828	(24,373)
	2,342,813	277,348
Investing:		
Purchase of property and equipment	(8,220)	(6,708)
	(8,220)	(6,708)
Increase (decrease) in cash	182,449	(61,976)
Cash, beginning of year	19,725	81,701
Cash, end of year	$ 202,174	$ 19,725

See accompanying notes to consolidated financial statements.

Canhaul International Corp. (the "Company") is a technology Company that specializes in developing, marketing and delivering an advanced location based solution called Trakopolis. This asset tracking platform is delivered as a service and provides companies with crucial visibility to their mobile and remote assets worldwide through GPS devices and the internet. The Company is incorporated under the Alberta Business Corporations Act in December 2002.

1. Future operations:

These consolidated financial statements have been prepared based on accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at June 30, 2015, the Company had an accumulated deficit of $14,104,990. During the year, the Company incurred a loss of $4,094,024. In order to continue as a going concern, the Company must generate sufficient income and cash flows to repay its obligations, finance working capital and fund capital investments. The future of the Company is dependent on its ability to attain profitable operations and generate sufficient funds from those operations, to receive continued support from its shareholders and to obtain new financing. There is no certainty that the Company will raise these necessary funds from financings or operations. As a result of these factors, there may be significant doubt as to the ability of the Company to meet its obligations as they come due and continue as a going concern.

These consolidated financial statements do not reflect adjustments that may be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

2. Significant accounting policies:

(a) Basis of consolidation:

The consolidated financial statements, prepared in accordance with Canadian accounting standards for private enterprises, include the accounts of the Company and its wholly owned subsidiary CAN Telematics Inc. Inter-company accounts and transactions have been eliminated on consolidation.

(b) Inventory:

Inventory consists of tracking unit hardware and is valued at the lower of cost and net realizable value with the cost being determined on a weighted average basis.

2. Significant accounting policies (continued):

(c) Property and equipment:

Property and equipment are stated at cost less accumulated amortization. Property and equipment are amortized over their estimated useful lives at the following rates and methods.

Assets	Methods	Rate
Computer equipment	Declining balance method	30%
Furniture and equipment	Declining balance method	20%
Leasehold improvements	Straight-line method	2 years

(d) Impairment of long-lived assets:

Long-lived assets, including property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and exceeds its fair value. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(e) Warrants:

The Company accounts for equity instruments such as warrants, which are issued with and detachable from the financial liability, by measuring the equity components at $nil.

(g) Stock-based compensation and other stock-based payments:

Equity instruments awarded to employees and the cost of the services received as consideration are measured and recognized based on the fair value of the equity instruments. When the Company acquires goods or services in exchange for equity instruments with non-employees, the Company measures the transaction based on the fair value of the goods or services received or the fair value of the equity instruments, or liabilities incurred, whichever is more reliably measureable. The fair value of stock-based payments to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of stock-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date.

2. Significant accounting policies (continued):

(h) Income taxes:

The Company uses the income taxes payable method of accounting for income taxes whereby the income tax expense of the period consists only of the cost of current income taxes for that period, determined in accordance with the rules established by Canadian taxation authorities.

(i) Revenue recognition:

Revenue arrangements with multiple deliverables are divided into separate units of accounting if each deliverable has a value to the customer on a stand-alone basis and any undelivered item has objective and reliable evidence of its fair value.

The Company recognizes revenue when services have been provided or products have been delivered, there is clear evidence that an arrangement exists, the amounts are fixed or can be determined, and the collection is reasonably assured. The Company recognizes revenue from hardware sales when the associated risks and rewards are transferred to the customer. Revenue from airtime sales is recognized in the period that the service has been provided to the customer. Software development and consulting revenue are recognized as work is performed. Payments received in advance of the services provided under the Company's revenue recognition policies are recorded as deferred revenue.

(j) Government assistance:

Government assistance is recorded as either a reduction in the cost of the applicable assets or as a credit in the statement of operations as determined by the terms and conditions of the agreement under which the assistance is provided to the Company or the nature of the expenditures which give rise to the credit. Government assistance is recorded when the receipt is reasonably assured. During the year, the Company received Scientific Research and Experimental Development ("SRED") investment tax credits from prior years of $213,956 (2014 - $412,083) recorded as a reduction in research and development expense. Management has estimated $460,000 in SRED investment tax credits that will be filed with the corporate tax return for fiscal 2015.

(k) Foreign currency:

Transactions denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at transaction dates. Carrying values of monetary assets and liabilities are subsequently adjusted to reflect the exchange rates in effect at the balance sheet date. Non-monetary items denominated in a foreign currency are translated into Canadian dollars at historical exchange rates. Foreign exchange gains and losses are included in the determination of net loss for the year.

2. Significant accounting policies (continued):

(l) Use of estimates:

The preparation of financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

The significant estimates requiring the use of management estimates relate to the collectability of accounts receivable, the net realizable value of inventory, the estimated useful life of property and equipment for amortization purposes and the evaluation of their net recoverable amount. Actual results could differ from those estimates.

(m) Financial instruments:

(i) Initial measurement:

Financial instruments are measured at fair value on origination or acquisition, adjusted by, in the case of financial instruments that will not be subsequently measured at fair value, financing fees and transaction costs. All other transaction costs are recognized in net income in the period incurred.

When the Company issues a financial instrument that contains both a liability and an equity element, it allocates the entire proceeds to the liability component.

(ii) Subsequent to initial recognition:

Investments in equity instruments that are quoted in an active market and free standing derivatives that are not designated in a qualifying hedging relationship are measured at fair value without any adjustment for transaction costs that may be incurred on sale or other disposal. Changes in fair value are recognized in net income in the period incurred. Investments in equity instruments that are not quoted in an active market are measured at cost, less any reduction for impairment. Other financial instruments are measured at amortized cost.

2. Significant accounting policies (continued):

(m) Financial instruments (continued):

(iii) Impairment:

At year-end, the Company assesses whether there are any indications that a financial asset measured at cost or amortized cost may be impaired. For purposes of impairment testing, each individually significant asset is assessed individually; the balance of the assets are grouped on the basis of similar credit risk characteristics. When there is an indication of impairment, the Company determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset. When there has been a significant adverse change, the carrying value of the asset is reduced to the highest of:

(a) The present value of expected cash flows

(b) The amount that could be realized by selling the asset, and

(c) The amount that could be realized by exercising its right to any collateral held as security

When the extent of impairment decreases and the decrease can be related to an event occurring after the impairment was recognized, the impairment is reversed.

(n) Research and development:

The Company expenses research and development costs as incurred.

(o) Comparative figures:

Certain comparative figures have been reclassified to conform to the current year's presentation.

3. Inventory:

Inventory consists of tracking unit hardware. The amount of inventory charged to cost of goods sold for the year ended June 30, 2015 was $1,537,050 (2014 - $1,162,217).

4. Property and equipment:

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	$ 35,353	$ 29,980	$ 5,373	$ 7,676
Furniture and equipment	36,839	8,909	27,930	26,805
Capital leases	84,313	12,601	71,712	–
Leasehold improvements	7,083	6,533	550	1,100
	$ 163,588	$ 58,023	$ 105,565	$ 35,581

5. Intangible assets:

	2015	2014
Development software – cost	$ 910,636	$ 910,636
Accumulated amortization	(910,636)	(780,545)
	$ –	$ 130,091

6. Due to shareholders:

		2015		2014
24% $100,000 promissory note, due on September 30, 2014. During 2015, the principal amount was repaid.		–		100,000
36% $100,000 promissory note, due on December 31, 2014. During 2015, the principal amount was converted to Class B common shares at $1.50 per share.		–		50,000
20% $75,000 promissory note, due on September 30, 2014. During 2015, there was a non-cash transfer of the principal amount to the Related Party Loan facility (note 7).		–		75,000
26% $300,000 promissory note due on demand. Issued with this note were 50,000 warrants which expired December 31, 2014. During 2015, $20,000 principal was repaid against the loan balance, additional funds of $150,000 were drawn against the loan and the loan was amended to 26% Interest from 20%. In addition, $130,000 was converted to Class B common shares issued at $1.50 per share. Repayment is not expected during fiscal 2016.		300,000		300,000
14% $100,000 promissory note due on demand. During 2013 the promissory note holder advanced an additional $30,000 at 20%. Issued with this note are 30,000 warrants, which were exercisable at the option of the holder into Class B common shares at a price of $1.50 per share and expired on June 30, 2015. Principal and interest is due when the promissory note matures. Repayment is not expected during fiscal 2016.		130,000		130,000
20% $50,000 shareholder loan, due on August 15, 2015. Subsequent to year-end, the loan was extended to December 31, 2015.		50,000		–
Other amounts due from shareholders, net		(29,041)		(51,362)
		450,959		603,638
Less current portion		(50,000)		(603,638)
Long-term portion	$	400,959	$	–

7. Long-term debt:

	2015	2014
Long-term debt		
The Company had a demand loan agreement that permitted the Company to borrow up to $2 Million. Funds available are calculated on a multiple of monthly recurring revenue. The interest rate on the loan is 1.4% per month or effective annual interest of 18.1%. The loan expires September 2016. As at June 30, 2015 the Company had drawn $1,500,000 on this loan. Repayment is not expected during fiscal 2016.	$ 1,500,000	$ –
Related Party Loan Facility		
The Company entered into a loan facility with Ninjanuity Capital, a Company controlled by the CEO and CFO of the Company. The facility provides up to $1 Million in financing and each loan facility is treated as a separate loan with separate interest rates. Some of the loan terms under this facility require both principal and interest repayment and some require interest repayment only. The balance of the loans (principal and interest) outstanding at any point in time is fully convertible at the estimated fair value of Class B Common shares of the Company. On November 30th, 2015 $365,000 of the principal balance was converted to Class B common shares at $1.50 per share. During the year, additional funds of $75,000 were drawn on this facility by the Company, there was a non-cash transfer of $75,000 from a shareholder loan (note 6), and $146,333 principal and interest was repaid against the loan balance.	184,657	545,990
	1,684,657	545,990
Current portion of long-term debt	(96,693)	(322,366)
Long-term debt	$ 1,587,964	$ 223,624

8. Equity to be issued:

The Company received deposits from investors for the purchase of 203,886 Class B common shares and as of June 30, 2015, $305,829 (2014 - $1,001) of equity to be issued remained.

9. Share capital:

(a) Authorized:

Unlimited Classes A, B, C, D, E and F common shares
Unlimited Class G non-cumulative redeemable preferred shares
Unlimited Class H cumulative redeemable preferred shares
Unlimited Classes I and J non-cumulative redeemable preferred shares
Unlimited Class K voting preferred shares
Unlimited Class L non-voting preferred shares

(b) Issued:

	2015	2014
2,361,332 Class A common shares	$ 1,999,958	$ 1,999,958
7,380,843 Class B common shares	9,439,882	7,277,092
	$11,439,840	$ 9,277,050

	2015		2014	
	Shares	Amount	Shares	Amount
Class A:				
Shares outstanding at the beginning of the year	2,361,332	$ 1,999,958	2,274,666	$ 1,892,459
Issued for wages	–	–	86,666	107,499
Shares outstanding at the end of year	2,361,332	$ 1,999,958	2,361,332	$ 1,999,958

9. Share capital (continued):

(b) Issued (continued):

	2015		2014	
	Shares	Amount	Shares	Amount
Class B:				
Shares outstanding at the beginning of the year	5,817,014	$ 7,277,092	5,351,972	$ 6,792,533
Issued for cash	44,332	66,497	213,279	290,279
Issuance of units for cash (net of allocation to warrants)	293,666	273,843	–	–
Prior year deposits on equity to be issued	–	–	–	25,639
Issued on conversion of debt (notes 7 and 8)	363,333	545,000	–	–
Issued for wages	852,498	1,278,747	120,000	180,000
Issued for finder fees	10,000	15,000	110,000	165,000
Share issue costs	–	(15,000)	–	(165,000)
Transaction costs	–	(1,297)	–	–
Return on capital	–	–	–	(11,359)
Shares outstanding at the end of year	7,380,843	$ 9,439,882	5,795,251	$ 7,277,092

During 2015, the Company issued equity based retention compensation to management of 837,498 Class B common shares and to employees of 15,000 Class B common shares. The shares were valued at $1.50 per share and expensed to stock-based compensation. As at June 30, 2015, 222,496 additional shares were granted but not yet issued and have been recorded as contributed surplus in the amount of $325,002. Upon issuance of these shares, the $325,002 will be reclassified from contributed surplus to share capital.

During 2015, 10,000 Class B common shares (2014 - 110,000) were issued from treasury for finder's fees relating to capital investment in prior years. The shares were recorded at a value of $1.50 per share and recorded as share issue costs of $15,000 (2014 - $165,000). The Company also incurred and additional $1,297 (2014 - nil) in transaction costs that have been recorded as a reduction in share capital.

Related to the issuance of units during the year (note 9 (c)), subsequent to year end the Company issued 73,366 Class B common shares in accordance with certain terms of the unit subscription agreements.

9. Share capital (continued):

(c) Warrants:

At June 30, 2015, 100,000 warrants to purchase Class A common shares at $1.50 per share were outstanding. These warrants expired on September 1, 2015.

During the year, the Company completed the issuance 633,666 units whereby each unit comprised one Class B common share and one Class B common share purchase warrant. 293,666 of the total Class B common share purchase warrants issued relate to units issued for cash. Total cash proceeds received on the issuance of these units was $440,499. 340,000 of the Class B common share purchase warrants relate to units issued on the conversion of debt of $510,000.

Each Class B common share purchase warrant entitles the holder to acquire one Class B common share at $2.00 and expires on August 31, 2016.

$166,656 (2014 – nil) has been allocated to warrants representing the estimated fair value of these warrants at the date of issuance.

(d) Stock option plan:

The Company initiated a stock option plan in June 2015 to encourage ownership of the Company's common shares by its directors, officers, employees and other eligible service providers. The exercise price of each option equals the estimated fair value of the Company's stock on the date of the grant. The fair value of the Company's shares is determined by the Board in its sole discretion, acting reasonably and in good faith. Stock option terms and vesting periods are specified in the plan. The Board shall have the full power to administer the issuance of options.

During the year, the Company did not grant any options and none were outstanding at June 30, 2015.

Subsequent to year end, the Board approved the issuance of 794,374 Class B options, each at a strike price of $1.50, vesting over four years and expiring on September 23, 2019.

9. Share capital (continued):

(e) Restricted award plan:

The Company initiated a restricted award plan in June 2015 to aid in attracting, retaining and motivating the directors, officers, employees and other eligible service providers. The exercise price of each award equals the estimated fair value of the Company's stock on the date of the grant. The fair value of the Company's shares will be determined by the Board in its sole discretion, acting reasonably and in good faith. Restricted award terms and vesting periods are specified in the plan.

No awards have been granted to June 30, 2015 and none were outstanding at year end.

Subsequent to year end, the Board approved the issuance of 541,619 restricted stock units each with an award value of $1.50 under the restricted award plan of which 135,405 restricted stock units were vested upon issuance with the remaining restricted stock units vesting over three years and expiring on September 23, 2019.

10. Income taxes:

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory income tax rates of 25.00% (2014 – 25.00%) to net loss before income taxes. The reasons for the differences and related income tax effects are as follows:

	2015	2014
Expected income tax recovery	$(1,023,505)	$ (261,397)
Non-deductible items and other	572,917	205,038
SRED claim	(141,515)	(20,941)
Tax effect of amortization charged for accounting purposes greater than capital cost allowance	36,736	32,754
Tax effect of tax losses carried forward	555,367	44,546
	$ –	$ –

As at June 30, 2015, the amount of unused non-capital income tax losses available for carry forward to reduce taxable income earned in the future is $5,967,619 (2014 - $3,746,152) and will commence expiry in 2027.

11. Commitments:

The Company has the following annual commitments under office and equipment operating lease agreements:

2016	$ 827,961
2017	822,774
2018	820,585
2019	605,669
2020 and thereafter	50,472
	$ 3,127,461

12. Financial instruments:

(a) Credit risk:

Credit risk reflects the risk the Company may be unable to recover accounts receivable. The Company was engaged in contracts with one party, of whom individually represented approximately 20% of the Company's sales, and an insignificant amount of accounts receivable at year end. The Company employs established credit approval and monitoring practices to mitigate the risk.

(b) Currency risk:

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company is exposed to foreign currency exchange risk on cash, accounts receivable, and accounts payable held in U.S. dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

(c) Interest rate risk:

The Company manages its exposure to interest rate risk through fixed and floating rate borrowings.

(d) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial obligations. The Company is exposed to this risk mainly in respect of its debt (note 1).

13. Related party transactions:

During 2015, the Company paid $176,269 (2014 - $173,075) in subcontractor fees for software architecture services and $70,500 (2014 – nil) in fees for the purchase of software applications to a company in which a significant shareholder is an owner.

The Company paid an additional $118,854 (2014 - $105,000) in subcontractor fees for consulting and sales support services to a company in which a significant shareholder is an owner.

14. Obligations under capital lease:

	2015	2014
2016	$ 22,156	$ –
2017	17,349	–
2018	16,844	–
2019	16,353	–
2020	4,049	–
Total minimum lease payments	76,751	–
Less amount representing interest at a rate of 4.64%	(3,566)	–
Present value of net minimum capital lease payments	73,185	–
Current portion of obligations under capital lease	(22,156)	–
	$ 51,029	$ –

Interest of $3,566 relating to capital lease obligations has been included in interest on long-term debt.

15. Subsequent event:

Subsequent to year end, the Company entered into a loan agreement with a member of the Board of Directors. The loan to the Company is in the amount of $175,000, bears interest at 14% per annum and is due for repayment in March 2016.